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STAFF NOTES:

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SOVIET UNION - EASTERN EUROPE

This publication is prepared for regional specialists in the Washington community by the USSR - Eastern Europe Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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USSR-Portugal

Exchanges of official visits between the USSR and Portugal continue at a brisk rate:

- A delegation of Portuguese businessmen visited Moscow February 10-16 in the hope of increasing Soviet imports of Portuguese goods. A Soviet press item during the visit listed total Soviet-Portuguese trade in 1974 as a meager \$10 million.
- During this visit it was announced that 19 Soviet foreign trade organizations will for the first time participate in the Lisbon International Fair this year.
- The Portuguese secretary of state for industry and energy is presently in Moscow and has met with Soviet officials.
- A Soviet Komsomol delegation is spending several days in Portugal.
- The Soviets have invited Portuguese Secretary of State for Fisheries Mario Ruivo for a visit next month to discuss "collaboration" in fisheries and to "exchange impressions" about the next Law of the Sea conference. Soviet Fisheries Minister Ishkov had planned to stop over in Lisbon early this month to discuss cooperation in fisheries matters, but he either canceled out or was disinvented when the stories broke about alleged Moscow requests for port facilities for Soviet fishing ships.

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The Soviets routinely carry on technical and other exchanges of this type with Western European countries. These exchanges are now running at what appears to be an unusually high rate with Portugal, at least in part because both countries are making up for lost time; the Soviet Union and Portugal did not have diplomatic relations until last summer.

The Soviets seem to be somewhat ambivalent about the political ramifications of these exchanges. On the one hand, the accelerated contacts are tangible testimony to Moscow's interest in Portugal and to its desire to strengthen "normal" state-to-state and people-to-people ties. In particular, the visit to Lisbon by Soviet groups of technicians and quasi-political spear-carriers suggests that Moscow wants to get across the message--at least inside Portugal--that the Soviet Union is sympathetic to the changes that have taken place there, and is willing to support the new political order. On the other hand, the Soviets seem to be reluctant--perhaps out of fear to being closely associated with a political situation that still could turn sour, perhaps out of a desire to avoid raising fears elsewhere in Europe about Soviet assertiveness--to give what could be construed as undue attention to Portugal.

In its own media, Moscow has given only minimal attention to Portuguese relations, and has continued to say very little about the political situation inside Portugal. In recent weeks, the Soviets have been particularly reluctant to go beyond factual reporting or replaying the statements of the Portuguese communists. Moscow has failed to express its own views on such things as the upcoming elections, or the labor union controversy.
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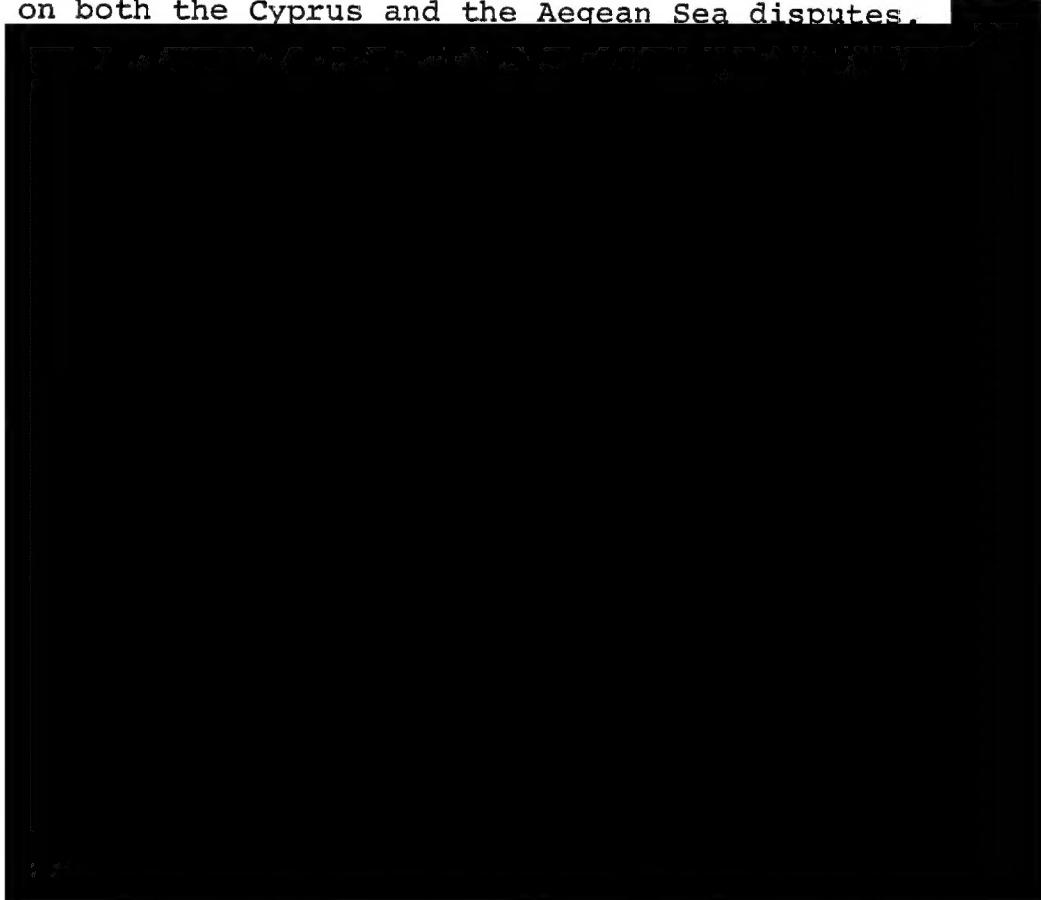
Macovescu To Visit Greece

With Romanian-Greek relations the best they have been in recent memory, Romanian Foreign Minister Macovescu is slated to visit Athens from February 27 to March 3.

Bucharest has supported Greece against Turkey on both the Cyprus and the Aegean Sea disputes.

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The Romanian party daily, *Scinteia*, on February 18, further set the stage for Macovescu's

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trip by criticizing the establishment in northern Cyprus of an autonomous Turkish state. The article reiterates Romanian calls for the withdrawal of all foreign troops from the island and describes the new state as "a new and serious obstacle" to solving the problem in "a constructive atmosphere." (SECRET NO FOREIGN DISSEM/NO DISSEM ABROAD/BACK-GROUND USE ONLY/CONTROLLED DISSEM)

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Romanians Reassert Independence Within CEMA

President Ceausescu has strongly reasserted Romania's independent approach to CEMA, stressing his country's economic autonomy and criticizing its foreign trade officials for not developing sufficient new markets for Romanian goods.

Ceausescu's remarks came in a speech at a conference in Bucharest last week that was attended by foreign trade officials and selected Romanian ambassadors and commercial counselors called home for the occasion.

Last week's conference took place at a crucial time for Bucharest. Romania's five-year plan for 1971 to 1975, in which foreign trade has played an important role, ends this year. Ceausescu may also be concerned that economic problems in the West will restrict Romania's freedom of maneuver within CEMA and set back his regime's ambitious plans for rapid industrialization.

The conference also occurred as negotiations for a US-Romanian trade agreement, which includes most-favored-nation status for Bucharest, near completion.

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Ceausescu's speech, [redacted] challenged CEMA more than his address of four years ago on a similar occasion. Although he hinted that trade with CEMA will grow faster from 1976 to 1980 than in the present five-year plan, Ceausescu implicitly rejected any significant changes in CEMA's charter that would undercut Romania's pretensions to economic autonomy.

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Given the importance of Soviet exports of iron ore and coking coal to Romania's industrial development, Ceausescu's speech does not preclude some

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discreet accommodation with CEMA. In Bucharest's case, however, Moscow cannot play its trump card of limiting oil exports. Ceausescu pointedly stressed that every drop of crude oil Romania imported in 1974 was paid for at world prices.

Ceausescu called for the establishment of an "international system" through which the prices of raw materials, shipping, basic industrial products, and agricultural goods would be "scientifically determined" and maintained at a fixed level for several years.

The Romanians are already heavily in debt to the West, and their hard currency deficit last year was over \$400 million, almost double that of 1973. Ceausescu's plea for new markets is intended to prevent Romania from being drawn further into the CEMA web. The failure of the Ceausescu regime to surmount both its own problems and those in the West could provide ammunition to Ceausescu critics who argue that Bucharest's "Western trade tilt" has not provided sufficient benefits to outweigh the risks involved in Romania's frequent frictions with the USSR. (CONFIDENTIAL)



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Romania's 1974 Economic Performance:
Some Ups and Some Downs

According to official Romanian data, the economy showed a continued high aggregate growth rate in 1974, but some major sectors fell short of planned targets. National income increased by 12.5 percent and industrial production grew by 15.2 percent. Both figures are higher than in 1973 and the 1971-73 average but below the ambitious targets of the 1974 plan.

Agriculture recorded its second bad year in a row. All major crop yields were well below planned targets, and most fell below 1972 output. Hardest hit were feedgrains, and Bucharest has been forced to import corn to cover its domestic needs as well as its export commitments.

Production in some major industries--chemicals, electrical energy, and coal--also was below planned goals. Most of the shortfalls were officially blamed on the failure to place new production facilities on line in time, but in some cases the original plans were simply too optimistic. Chemical fertilizer output, for instance, was 40 percent below plan but 14 percent above the 1973 level.

Foreign trade posted a 38 percent increase--more than double the 1971-73 average. Most of the increase resulted from higher prices in trade with the West. No further breakdown was released, but Ceausescu recently acknowledged a hard currency deficit of over \$400 million, or some \$200 million above that of 1973.

The consumer's position improved only moderately. Across-the-board wage increases resulted from an accelerated pay raise program initiated last year. A large part of the increment probably went into savings because of continued shortages of consumer goods and housing. (CONFIDENTIAL)

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